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ABSTRACT

In order to develop strategies for addressing the challenges of the future and fulfill the "Master Plan"--providing all Californians with unlimited access to postsecondary education--the Board of Governors and the Chancellor of the California Community Colleges created a task force to recommend actions necessary from now until the year 2005. This 2005 Task Force Report outlined a needs analysis and suggested solutions for California community colleges, which include the following: the level of adult enrollment at community colleges necessary to meet the goals of the Master Plan and the postsecondary education needs of California; the level of resources needed to ensure adequate access and educational services from the community college educational process; the comparison between system needs and forecasted revenues available under different economic scenarios; and the suggestion of possible solutions for filling the identified gap between needs and available resources. The report discusses access and provides several tables of data concerning enrollment and demographic information. The report also describes facilities, revenues, the resource gap, and ends with a list of possible solutions. (YKH)

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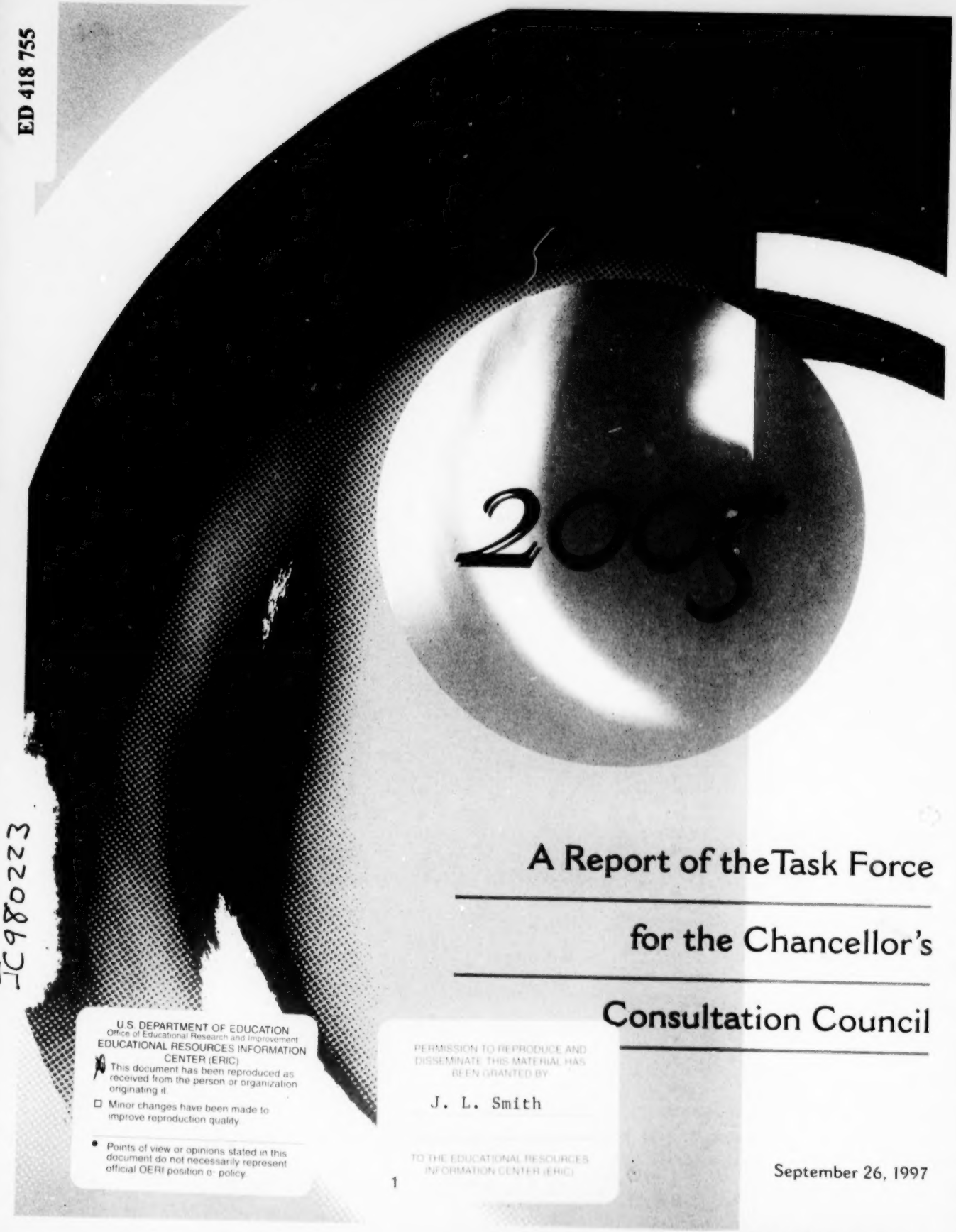

A Report of the Task Force for the Chancellor's Consultation Council

September 26, 1997

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2005

A Report of the Task Force

for the Chancellor's

Consultation Council

September 26, 1997

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2005 TASK FORCE REPORT

CALIFORNIA, AT ITS ZENITH, WAS THE UNDISPUTED NATIONAL LEADER IN education. The state's successful educational system helped create a robust economy and fulfill a social contract with its citizenry to ensure that all people had the opportunity to realize their full potential. The cornerstone of this success, within postsecondary education, was the Master Plan for Higher Education developed in 1959.

The fundamental tenet of the Master Plan – that any California resident who can benefit will be provided access to postsecondary education – is still a fundamental belief held by the people of California. Besides the people of California, both political parties also embraced the Master Plan. The idea was enthusiastically supported because it championed individual opportunity while creating economic prosperity. Furthermore, the Master Plan's admission policy hierarchy assigns the primary responsibility for the provision of that open access to the community colleges.

Unfortunately, in the face of financial difficulties during the past decade, there has been some abandonment of this principle of access. Ironically, while the rest of the country was discovering the critical role of community colleges in a state's economic and social success, California retreated from its commitment. Thankfully, due to California's recovering economy and the "assurances" of Proposition 98, the state has made financial contributions during the last two years to begin the restoration of educational services to the adult population of California. This restoration needs to be completed because the community colleges hold the key to success not only for millions of California residents but also to a workforce prepared to compete in a global economy and to an educated citizenry, the stable basis for a strong multi-cultural democracy.

As California enters the 21st century, higher education faces "Tidal Wave II" – an increased enrollment demand of between 450,000 to 650,000 students, most of whom will be served by the community colleges. Unless there is a major shift in funding priorities, the State will be hard-pressed to fund the needs of education – from kindergarten to graduate school – to serve these additional students with quality programs and services. Finally, the State has been operating without a long-term fiscal plan or policy to make the Master Plan a reality. Instead, funding has been determined on a year-to-year basis, with politics and the relative strength of the economy being the key factors which drive funding levels.

The California Community Colleges are committed to developing strategies for addressing the challenges of the future. In an effort to fulfill that responsibility, the Board of Governors and the Chancellor created a task force within the consultation process to recommend the

actions necessary from now until the year 2005. The work began with the Chancellor's staff preparing background technical papers in concert with the task force. The four papers prepared by the Chancellor's staff are noted in the text of this report and are as follows: "Access", "Funding Patterns", "Funding Scenarios", and "Trends Important to California Community Colleges." In addition to these sources of information, the task force also utilized appropriate research by other agencies (e.g. "The Challenge of the Century" by CPEC and "Breaking the Social Contract" by RAND).

The conclusions referenced in the task force report are drawn from all of these sources and, for purposes of readability, the arguments, evidence and citations have been minimized in the text of the task force report but are listed in the back of the report.

The 2005 Task Force Report delineates a needs analysis and suggested solutions for California Community Colleges which includes the following elements:

- the level of adult enrollment at community colleges necessary to meet the goals of the Master Plan and the postsecondary education needs of the State of California,
- the level of resources needed to ensure adequate access and educational services from the community college educational process,
- the comparison between the system needs and the forecasted revenues available under different economic scenarios, and
- the suggestion of possible solutions for filling the identified gap between needs and available resources.

ACCESS

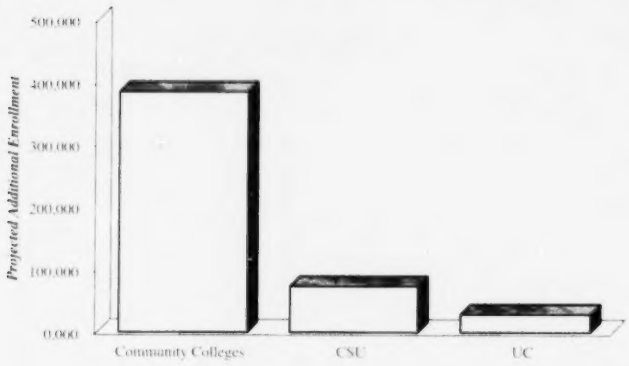
As the State of California prepares to embark on the 21st century, ensuring that California Community Colleges have the resources necessary to deliver access with quality is essential to the State's social and economic success.

> "Access was a promise to the people of the State on which millions of parents and hundreds of thousands of young people have counted.... Access is even more important now, not only because a promise was made but also because the labor force requires more education than in 1960, and because equality of opportunity is even more important. To slam the doors now would be a moral, economic and political tragedy for this State."
>
> *– Clark Kerr*

The number of students that community colleges must serve in order to provide open access is a function of population changes and

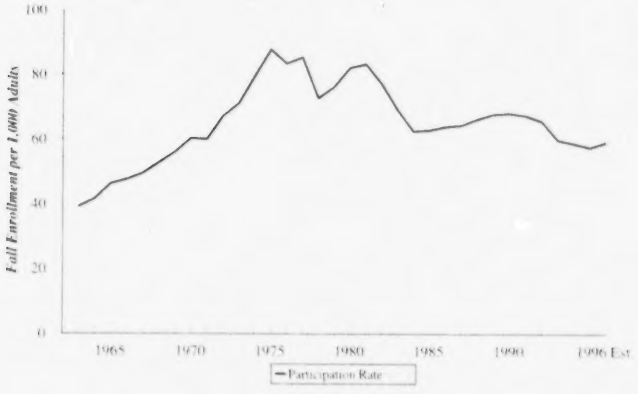
the rate at which adults attend college. The relevant population changes have been well documented in anticipation of "Tidal Wave II" and have been estimated to be an additional 400,000 students attending community colleges.

Figure 1
California Higher Education
Projected Additional Enrollment by Public Segment
1994/95 through 2005/06



Besides population changes, the participation rate is a major part of access. The participation rate is the relative number of adults receiving educational service from a community college. The rate is usually expressed as the number of students per 1,000 adults and a decline means that a smaller percentage of the adult population is receiving the educational service. Are current rates appropriate? With the Master Plan in place, California's participation rates steadily increased from 1960 to 1975 to a rate of nearly 88 students per 1,000 adults. The rate plateaued from 1976 to 1981; it then steadily fell from 1981 to 1995, when it reached its low of 57.5 students per 1,000 adults.

Figure 2
California Community Colleges Participation Rates
1963 - 1996



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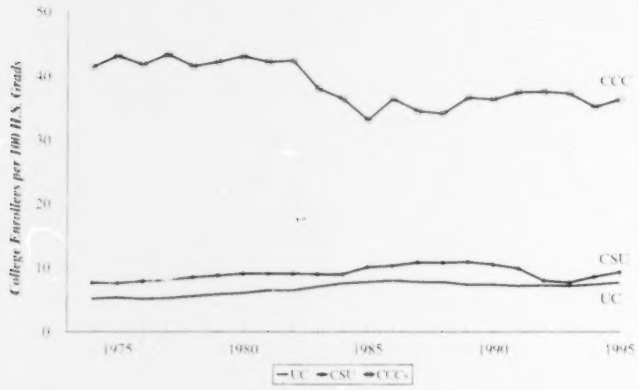
Evidence indicates that this participation rate is unacceptably low, both because of the increased need in the future for more postsecondary education in California and because of unintended public policy consequences which were the result of the declines between 1981 and 1995.

Figure 3
College-Going Rates of Recent
High School Graduates, 1974 - 1995



The state of California and the community colleges in particular are facing a new era with unprecedented responsibilities to its citizenry. Virtually all studies agree that increased levels of postsecondary education will be essential to the economic and social success of the state. For instance, consider one statement in a recent report by Rand, *Breaking the Social Contract:*

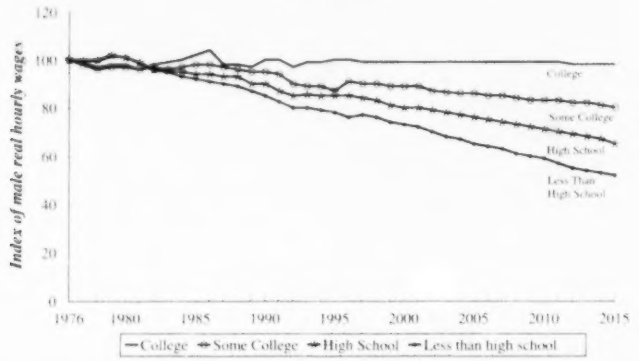
> "Recent shifts in California's economy have made higher education more significant than ever. The industrial jobs that once formed the backbone of the economy are dwindling.... The service-related jobs that are taking their place require a level of knowledge and skill that, for the most part, can be gained only through programs offered at California's colleges and universities. If workers in today's economy are cut off from higher education, they will be unable to attain the proficiency levels needed to master new technologies and enter new occupations."

Technological demands of the work environment mean that continuing education will be a necessity of the 21st century employee. When one reflects that during the past two decades the global information network has increased its carrying capacity a million times over, or that computing power doubles every 18 months, or that a current automobile has more computer processing power than the first lunar landing craft, it is clear why on-going education in technology is a necessity. If California is going to maintain a viable workforce, the community

colleges must provide that training.

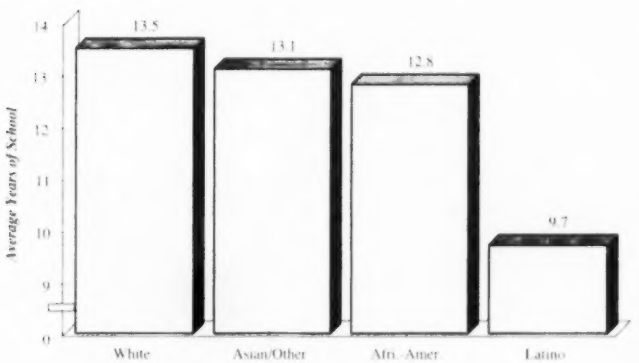
Furthermore, the Rand study goes on to say that workers with only a high school diploma will have real earnings about 40% less in the year 2015 as compared to their counterparts in 1976.

Figure 4
Distribution of Real Mean Hourly Wages for
Male Workers by Educational Level
1976 - 2015



When these projections are considered in conjunction with the decline and/or low postsecondary education participation rates among some ethnic minority groups in California, the fear of a polarized economic and social order in California is heightened.

Figure 5
California Average Years of School by Ethnicity
1994



As Rand goes on to state,

"Only by increasing the proportion of African-Americans and Hispanics receiving some form of postsecondary education or training can the gap be stabilized or reduced. It is in the interest of all Californians to promote high levels of

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education and training for those who are rapidly losing earning power in California society. Low levels of education are powerful predictors of welfare dependency, unemployment, and incarceration, all of which are very costly."

In addition to the expanding need for education in California and the resulting new demands on community colleges, other new mandates are being placed on the community colleges. The CSU system has adopted a policy intended to substantially reduce its remediation function, thus possibly concentrating more postsecondary remediation in community colleges. Moreover, if UC and CSU attempt to increase upper division access, more lower division effort will be appropriately shifted to the community colleges.

The federal and state governments are implementing major welfare reform, and community colleges play a key role in helping welfare recipients make the transition to family-supporting work. This role is played both in the initial transition and on a continuing education basis.

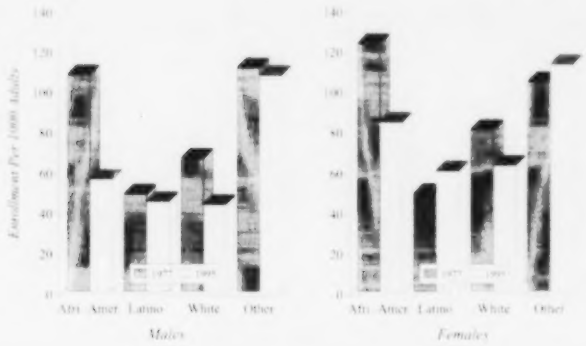
In 1996, legislation was passed adding economic development to the community college mission statement. In the coming years, more partnership programs with business and industry will be developed and community colleges will play an ever increasing role in continuing education for currently-employed people. One of the lessons from the 1970s is that a well-educated citizenry, a skilled workforce and access to educational resources are all critical elements in the development of a strong economy.

Immigrants comprise nearly 20% of California's population (25% of the workforce), but nearly 50% of the population growth between now and 2005. As immigrants continue to enter California, the need for ESL will continue to grow proportionately. Additionally, California is facing new challenges with this future immigrant population because they are emigrating increasingly from countries with lower per capita educational levels. This means that beyond ESL, educational and job-training skill development functions must be performed.

Beyond the future needs of California, concern exists over the disproportionate impact of the participation rate decline that occurred prior to 1995. An examination of the affected populations indicate that this decline in participation rates was not simply a shift of credit courses to community services or the implementation of the "hit list" in the early 1980s. The most disturbing decline is for African-American males, whose participation rate was cut in half between 1977 and 1995, and African-American females' rate which dropped by nearly one-third. Given the public policy maxim that increased college participation is a critical element in an economic democracy, the participation rate of the African-American population is headed in the wrong direction, exacer-

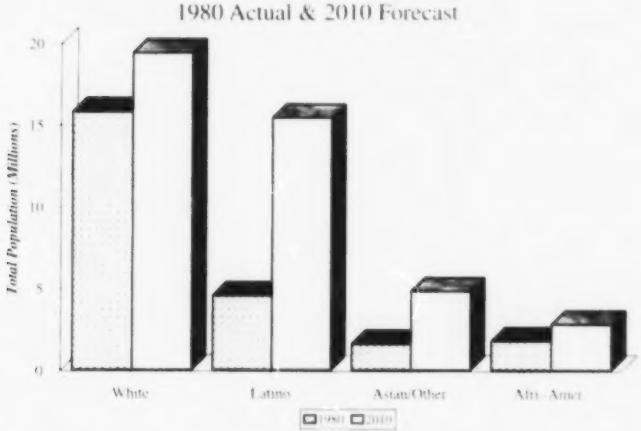
bating tendencies toward a bifurcated economic system. This is particularly frustrating because the fruitful efforts of the years prior to 1977 (in which African-American involvement in community colleges significantly increased) have essentially been eradicated.

Figure 6
Participation Rates
by Ethnicity & Gender
1977 & 1995



Another cause of concern is the relatively low participation rates of Hispanic students when compared with other ethnic populations. This is particularly problematic when one considers the large projected Hispanic population growth and involvement in the future workforce of California.

Figure 7
California Population by
Racial & Ethnic Groups
1980 Actual & 2010 Forecast



What is the needed increase in participation rates for each of the previously mentioned economic, educational, and demographic imperatives? Simply accommodating the "Tidal Wave II" increase in the 18-24 year old cohort and a modest correction in the participation rates of African-American and Hispanic adults will require an increase of

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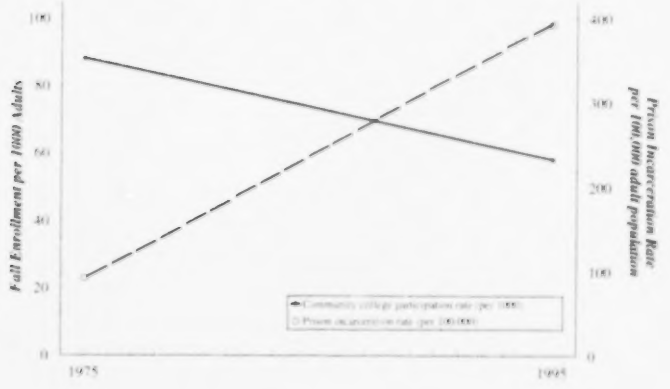
approximately 10 "points" to a participation rate of 68 per 1000 adults. It is also reasonable, although probably conservative, to assume that the impact of workforce preparation needs, changes in UC and CSU policies, welfare reform, reduction of wage inequalities, economic development, technology, continuing education, and immigration will require an additional increase of 10 "points" to a participation rate of 78 per 1000 adults. This is a conservative projection because, even at this level, the colleges would be operating at a participation rate below that experienced in most years between 1974 and 1981. In fact, it would still be 10 "points" below the level of 1975.

The consequences of not providing a higher level of access to community colleges are dire for the economy, the social fabric of the state, and the lives of millions of individuals. If workers in today's economy are cut off from higher education, they will be unable to attain the proficiency levels needed to master new technologies and enter new occupations. In addition, the failure to provide increased levels of education and training will exacerbate the growing divide between the have's and have not's.

In its analysis of long-term postsecondary education needs, the state must also consider the immense costs from not addressing the educational and training needs of the state. The choices for the state are not whether to spend funds or not spend funds - the choice is how to spend funds. Low levels of education for the populace mean increased expenditures for welfare, unemployment and incarceration. From 1975 to 1995, as community college participation rates decreased from 88 to 58 per 1000 adults, the incarceration rate increased from 92 to 392 per 100,000 adults. Not only does this have vast social consequences, but the cost to educate one community college student is $3,500 per year while the cost of incarceration is $23,500 per year.

Figure 8
California Community College Participation Rate vs.
Prison Incarceration Rate
1975 & 1995



California needs to increase the community college participation rate to at least 78 per 1,000 adults in order to meet the social and economic demands of the future. The colleges are prepared to meet that need but this will require a thoughtful plan to manage the necessary growth and to ensure that the stated goals are met. Therefore, the state needs to fund both the required growth and the developmental effort which precedes the enrollments.

FACILITIES

If the California Community Colleges provide for an additional 400,000 students from Tidal Wave II and increase access to 78 students per 1000 adults level of participation, there will be physical plant capacity issues. In 1991, a long-range capital outlay growth plan was developed which determined that $3.2 billion would be needed by the year 2005. However, this assessment did not assume that any increase in demand would be accommodated by new technology or new instructional delivery systems and, in fact, those impacts and costs are still unclear. Also, only a small portion of that need has been met by capital outlay expenditures between 1991 and the present. Nevertheless, it is clear that there is a need for significant, additional funds for capital outlay in community colleges.

The major source of funds for expansion of physical plant is the passage of state bond issues. Historically, revenues from each of these bonds is split equally between UC, CSU and the community colleges. Given the community college facility needs, such a split makes no sense. CPEC projections for Tidal Wave II indicate that 78% of the increased enrollments in postsecondary education will occur at the community colleges. Unfortunately, for political reasons, the community colleges have always accepted a disproportionately low portion of bond revenue, thus contributing to the current problem. Not only must new bond issues be passed by the state of California, but either the split must change and/or the size of the bonds increase dramatically. It is also critical to recognize that while technology may provide an alternative to "bricks and mortar", it requires a significant initial expenditure, a planned replacement schedule, and rigorous ongoing training for staff. Therefore, either the bonded indebtedness needs to accommodate the costs of technology or alternative sources need to be identified.

REVENUES

Given the central role of community colleges in providing postsecondary education access to the residents of California, have the colleges received their fair share of state revenues? While at first glance the increase in the community college share of state revenues from $1.01 billion in 1975 to $2.87 billion in 1995 would appear to be adequate, the view changes when placed in context. During the same period of time, each of the other education segments (K-12, CSU, UC) received significantly greater percentage increases in their state revenues. To understand the magnitude of difference, the community col-

leges would have needed to receive an additional $800 million in 1995 to equal the smallest of the cumulative increases in the other segments. Furthermore, the percentage increase in community college funding is also significantly less than other state general fund expenditure increases and net income of private corporations for that same period of time.

Table 1
Total General Revenues or Income
($ in billions)

	1975	1995	Change	% Change
Community Colleges	1.01	2.87	1.86	184%
University of California	0.65	2.50	1.86	285%
California State University	0.58	2.13	1.55	267%
K-12	2.64	17.54	14.90	564%
Other State General Funds	6,075.40	22,230.70	16,155.30	265%
CA private corporations	8,360.00	27,000.00	18,640.00	223%

Almost any method of examining relative tax support for community colleges shows a distinct erosion since 1975. Most notably, the community college share of total state and local tax revenues has declined - even total tax revenue as a proportion of personal income shows there has been a dramatic decline in support for community colleges.

Table 2
Community College Share of Revenues*

	Ratio	% Change
1975	0.0568	
1995	0.0412	
Decrease	0.0156	-27.4%

*Total State and Local

So, it is clear, that even though the role of community colleges is central to the social and economic well being of the state (including being indirectly responsible for generating increased tax revenues), the community college system has not even maintained its relative position from 1975. The community college system simply is not receiving its fair share of state resources.

When looking at revenue allocations, it is critical not only to look at intrastate comparisons but also to compare California expenditures per community college student to other states. Obviously, if California was funded at a level above other states, it might be argued that the erosion of state revenues support was deliberate in order to lower California Community College revenues to the national average. Clearly, the data does not justify that position. At the most recent point of complete data (1994), California spent $3,554 per student while the national average was $6,022 per student. Not only did other states provide more dollars per community college student, but they did so while supporting over twice the rate of California's enrollment growth.

Table 3
National & California Community College Expenditures*
per FTE Student
1970 - 1993

	California	% Annual Change	National**	% Annual Change	CA/Natl Ratio
1970-71	$ 911		$1,318		0.72
1980-81	$2,001	+7.6%	$2,843	+8.0%	0.70
1990-91	$3,424	+5.5%	$5,367	+6.6%	0.63
1993-94	$3,554	+1.9%	$6,022	+3.9%	0.59

*Educational & general expenditures less student aid & transfers.
**The difference between California community colleges and those in other states is even more dramatic, since California is a large part of the national base.

Understandably, skeptics will argue that the difference in support is due to the high student tuition in other states. This assumption is particularly true within California where there is a popular belief that higher taxpayer support for community colleges makes it possible to keep the tuition low. As it turns out, both perceptions are wrong. When California is compared to the entire nation, the 10 largest states, or the Western United States, in every comparison the taxpayer support for each student exceeds the taxpayer support in California. This revenue difference is exacerbated further when student tuition is factored into the equation. The California Community Colleges are clearly underfunded by any and every measure when compared to the rest of the nation.

If the California Community Colleges do not receive either their fair share of state revenues or support per student comparable to other states, how have they survived? The community colleges have survived by contracting expenditures to the point where they are operating as the lowest cost system of higher education in the country. In every expenditure area examined, California was below the national average expenditure.

Figure 9
Constant Instructional Expenditure Per Student
National & California Community Colleges
1970 - 1995

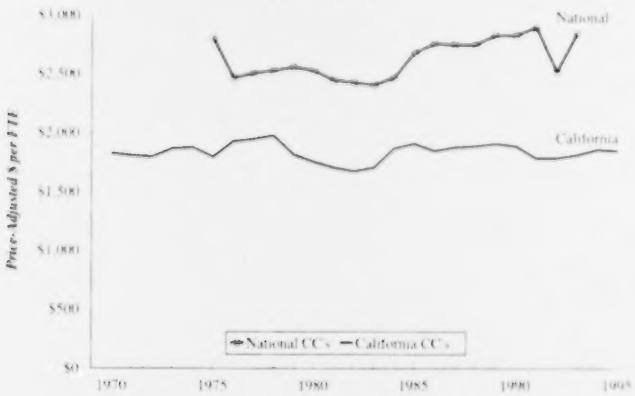


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Figure 10
Constant Student Service Expenditure Per FTE
National & California Community Colleges
1970 - 1995

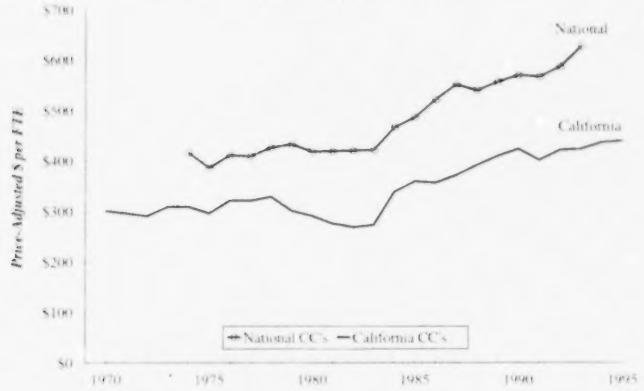
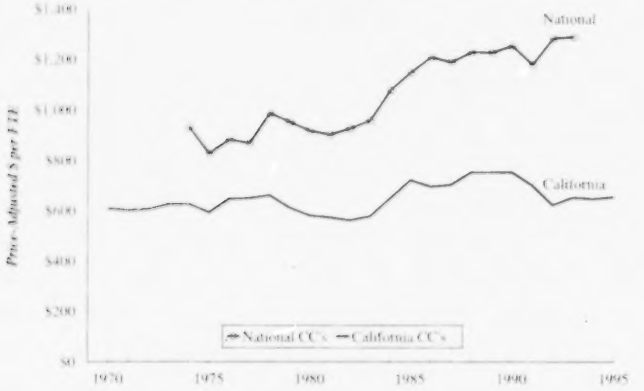


Figure 11
Administrative Expenditures Per FTE
National & California Community Colleges
1970 - 1995

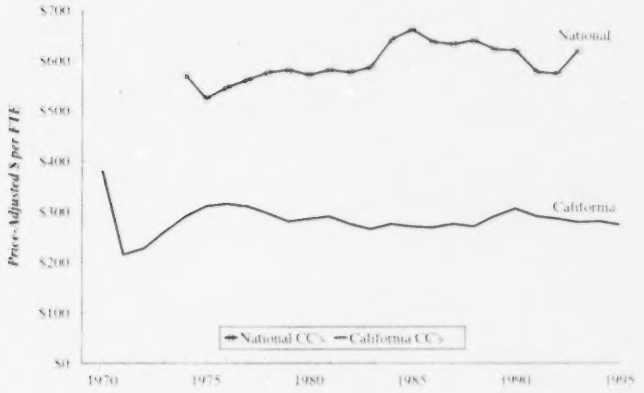


While these efforts may have been heroic, they have consequences for quality. In particular, when California is compared to the rest of the country, class sizes are larger, teacher loads are greater, less money is spent on plant maintenance, etc. The system has survived the period of financial austerity, but now restoration of quality needs to be addressed.

In addition, during lean times, community colleges are forced to deny access on a "last come – not served" basis. The unintended consequence of this presumably egalitarian means of allocating admission is to deny access to the most needy and to those with the least sophistication in accessing educational services. Furthermore, the contraction of support both inside and outside the classroom means that student retention in courses and in the college is problematic for students who lack independent learning skills. Therefore, when access is restored and expanded to meet future needs (as delineated in the earlier section of

Figure 12
Student : Faculty Ratio
National & California Community Colleges
1970 - 1995

Figure 13
Plant Maintenance Expenditures Per FTE
National & California Community Colleges
1970 - 1995



the report), the cost per student will necessarily increase in order to provide needed support services. For example, besides smaller class size, there will be a need for more tutorial support systems, expanded office hours for part-time faculty, more counselors and librarians, and targeted support for new job training programs that have large capital investment requirements and expensive teacher/student ratios (e.g. internships).

In looking at all of the relevant data, one reasonable goal for California Community Colleges is to attempt to achieve the national funding average by the year 2005, which is estimated will exceed $8,000 per FTE (Full-Time Equivalent student). Another reasonable goal is to raise community college funding to the level of standard established in the current program-based funding model which was created as a part of AB 1725. If colleges were moved to the established standard and a

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reasonable COLA was attached, the level of funding would exceed the projected national average. Therefore, $8,000 per FTE is an appropriate funding target for 2005. In the movement from the current level to the goal, approximately one-third of the change is necessary as an anticipated inflation adjustment. Another one-third of the increases would be used for improving quality. The final one-third would be accomplished through the implementation of solutions like those listed later in the report and would be reflected in either new revenues or improved efficiencies. A projection of a specific dollar per FTE goal is clearly based on inflation rate assumptions, which in this report is assumed to be an annual rate of 3%. Using that inflation assumption, state funding would be increased to $6,500 per FTE by the year 2005 and the remaining $1,500 per FTE would be derived from changes in operations or development of new revenue sources. Such a funding goal is a compromise representing an attempt to be honest in terms of need yet realistic in terms of state financial capabilities. It is also a recognition that the commitment to low student fees means that alternative measures must be found to fill the gap between the funding goal and the national average.

RESOURCE GAP

Once the resource needs for 2005 are established, the next step is to determine the availability of funds to achieve the stated goals. To assess whether there was a funding gap, a forecasting model was developed based on certain assumptions while varying the level of economic growth in California between now and 2005. In each of the models it was assumed that the community college system would accommodate its share of the age-appropriate population growth in California, increase the participation rate to 78/1000 adults on an incremental basis, increase the level of state support to $6,500 per FTE on an incremental basis, and address the capital outlay needs by means other than general tax revenues (e.g. state bond issues). The models also assume that the Proposition 98 funds will be based on Department of Finance's K-12 projections and that the split will be made in accordance with the rates in current legislation (AB226). Additionally, the models and the $6,500 per FTE goal assume an annual inflation rate of 3%. Other more technical assumptions are described in the paper "Future Scenarios."

The two economic models used in the forecast assumed robust economic growth (Scenario A) and modest economic growth with a typical recession around the year 2000 (Scenario B). Both scenarios indicate a funding gap in general tax revenues.

SOLUTIONS

Perhaps the most elegant solution is the simplest solution. The last two years (1996-97, 1997-98) have provided funding at levels sufficient to make real progress in restoring quality and access to community colleges. The goals established in this report could be achieved by comparable annual funding increases between now and 2005. In particular, if the state were committed to a 10% annual increase in communi-

ty college funding (4% growth, 3% COLA, and 3% quality enhancement), the access and support goals would be achieved by the year 2005. In essence, this simple plan calls for a seven-year reinvestment in community colleges, thereby equipping them to play their critical role in the 21st century. Obviously, the 10% annual rate needs to be adjusted so that the COLA component reflects the actual rate of inflation.

In order to implement this strategy and fill the remaining funding gap, there are a number of efficiencies which have already begun within the community college system that need to be continued and expanded. While not an exhaustive list, these practices include:

1. Changing academic calendars in length and internal structure to maximize existing physical plant capacity and to best fit student learning needs.

2. Improving articulation with high schools, among community colleges and with universities to ensure that no time is lost in transition between institutions and to shorten the length of time necessary to complete baccalaureate degree progress.

3. Expanding the appropriate use of technology in the provision of support services, the performance of administrative functions, and the delivery of instruction to achieve optimum utilization of existing physical plant and to best meet the learning needs of students.

4. Fully implementing the matriculation process to ensure that scarce learning resources are utilized in a manner that maximizes students' retention and progress toward their educational goals.

5. Expanding methods of instruction by providing alternative delivery systems (e.g. collaborative and relational learning) to ensure that appropriate teaching styles are matched with different learning styles so that retention and learning are maximized.

6. Exploring ways of achieving access for underserved populations beyond simply funding the growth formula.

7. Developing system level purchasing contracts so that acquisitions are at the lowest possible price.

8. Increasing interagency cooperation (e.g. with the state Employment Development Department) to make maximum use of state resources.

9. Exploring new ways of managing existing facilities (e.g. utilities management systems) and exploring, in urban and suburban settings, the greater use of single structure educational centers as an alternative to building whole new campuses.

Besides the continual effort to improve educational efficiencies, there also needs to be an examination of revenue alternatives - both for generating the required 10% annual increase in operating funds and also for producing the necessary capital outlay funds. Some of those revenue alternatives are listed below.

1. Institutionalize the Proposition 98 split so that community colleges receive at least 10.6% of the funds by the year 2000. When Proposition 98 was enacted, community colleges were supposed to receive 11% of available funds, so this 10.6% "guarantee" represents a funding floor, not a ceiling.

2. Change the laws governing local bond elections so that a bond can be approved on a majority vote and funds can be used to equip as well as to construct buildings.

3. Constrain student fee increases in a manner that is moderate, predictable, fair, and additive so that they provide new sources of funds and do not reduce participation rates. The access issue is particularly important since a negative effect would directly defeat one of the stated goals. Also, as described in the paper on access, increasing financial aid does not preserve access when student fees are increased.

4. Increase the number of public-private partnerships in a way which involves financial contributions by more of the private sector when the educational training programs directly benefit them.

5. Change federal regulations so that California receives its fair share of federal revenues and is not continually penalized for maintaining low student fees. As it is now, federal aid is pegged to tuition reimbursement. California should not be denied federal revenues just because it has chosen to impose low student fees.

6. If current and proposed sources of revenue are inadequate, introduce a change in the existing tax laws to provide for a tax increase with the funds dedicated to all levels of public education for implementation of the Master Plan's social contract. The correlation between increased levels of education and increased tax revenues is well established and provides the assurance that a dedicated tax increase for education is financially sound. The prudence of this investment is reinforced when it is recognized that increased education means a lower dependency on social programs and a more robust economy.

Beyond improving educational efficiency and exploring new sources of revenues, the community college system must continually search for new ideas and new methods for learning. Given that the Education Code and Title 5 regulations in California exceed the num-

ber of regulations in other states, some form of deregulation and simplification needs to occur. While such discussions create anxiety about the potential removal of legal protections, the continual layering of laws, rules and regulations may be restraining the educational performance of the system. A thoughtful reform, which would maintain appropriate protections while allowing for creative solutions to educational problems, seems possible.

The community college system also needs to reexamine its financial mechanism. While any discussion of changing the finance mechanism is controversial, the research is clear that every system responds to funding sources and financial allocation methods. Given the scarcity of resources, it is essential that the finance model be continually honed to ensure there are no unintended incentives and, more importantly, that the mechanism is helping to achieve the desired goals.

Continual expansion of college and system accountability is essential. If colleges are going to be funded for improvements in quality, measures need to be in place to ascertain whether the additional monies make a difference. For example, decreasing class size is not an end in itself, so student retention, persistence and performance must be measured to see if the class size reduction improves learning outcomes.

The state must recognize that the education process is a continuum, not discrete segments. Therefore, distinctions for students between high schools, community colleges, CSU and UC need to be examined and clarified, blurred where appropriate, and the coordination of efforts increased. The independent governance structures should not be seen as sacrosanct differences which impede student progress through higher education. How these barriers are overcome will have to be determined, but a commitment needs to be made that arbitrary distinctions of the past will not be perpetuated.

With California's recent return to prosperity through some significant economic restructuring, the state has a window of opportunity to gain control of its own destiny. Will the state return to being the undisputed leader in education? Will the state be the model for a strong multi-cultural democracy that will eventually be the norm for the entire United States? Will the state honor its commitment to individual opportunity, which was the lifeblood of the Master Plan? Will California have the foresight to invest in its educational infrastructure to ensure its future economic prosperity? The answers to these questions, and many more, will be developed by the leaders of California in the next few critical years. Whether California surfs the wave of the 21st century or is victimized by the undertow of events, depends on how California responds to those questions.

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